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CHAPTER SEVEN

THE ROLE OF GOVERNANCE IN ECONOMIC DEVELOPMENT¹

RAYMOND F. HOPKINS

Introduction: Linkages

"No taxation without representation" was a popular motto expressing public dissatisfaction prior to the American Revolution. Popular government has long been associated with economic health, while governments that appear oppressive, exploitive or unresponsive are frequently linked to economic turbulence or failure. From the observations of political philosophers since Aristotle to the evidence from events in East Europe, the former Soviet Union and Africa, this point seems well grounded.²

Indeed, the rapid changes in Eastern Europe and Africa since 1988 raise anew the more specific question about how the character and performance of a country's state organization affects the process of economic development. "Democratization" has been seen by many East European leaders, for example, as a prerequisite for ending the economic stagnation experienced under a communist, command-style rule. Somewhat analogously, in Africa in the 1980s, the negative impact of state policies that stifled initiative and extracted resources without providing public goods has become a central issue. The World Bank, for example, in a recent report, *From Crisis to Sustainable Growth: A Long-Term Perspective Study* (1989) has summarized considerable literature pinpointing aspects of state behavior in SubSaharan Africa believed to have been counterproductive to the efforts of African peoples and external donors to stimulate economic growth.

¹ An earlier version of this essay was prepared for the Task Force on Development Assistance and Cooperation. See G. Edward Schuh, et al., International cooperation for sustainable economic growth: The U.S. interest and proposals for revitalization (Washington: Report of a task Force on Development Assistance and Economic Growth, commissioned by the Board for International Food and Agricultural Development).

² Aristotle, for example, noted the enhanced industriousness of a society whose state followed democratic principles (see Aristotle, Politics) and Samuel Huntington argues in chapter 1 that strong political institutions, able to absorb -- thus not coercively regressing -- a population's urge to participate, are needed to shape political life as a solution to the turbulence and instability which otherwise accompanies economic transformation, Political Order in changing Societies (New Haven: Yale University Press, 1968). Karl Deutsch argues that legitimacy and efficiency are improved by the responsiveness of a government based on correction feedback that occurs when a government's nerves are open to criticism, The Nerves of Government: Models of Political Communication and Control (New York: The Free Press, 1963; 2nd edition, 1966, with new introduction, 'The study of political communication and control, 1962-1966,' pp. vii-xxiii).

States and markets are not simply alternative or competing methods for allocating scarce resources. They also represent fundamental elements of human activity, each requiring the other and each able to stimulate or undermine the ability of the other to achieve collective human benefits. It is in the organization and interrelationship of these that welfare, development and equity emerge.³

Thus the key issue for understanding the role of governance in economic development is the recognition that a responsible government, long a concern of Charles E. Gilbert, plays an indispensable role in creating, sustaining and correcting markets. The role may facilitate or hinder the work of markets to diffuse technology, reward initiative, and distribute goods. While markets work at all levels of society, since World War II their effects have been especially strong in deepening international divisions of labor. Hence, the implications of governance address not only household and national performance, but also global trade and development. This explains some of the interest of industrial states in promoting improved governance in countries around the world.

The purpose of this paper will be to propose and discuss a set of characteristics of governance -- applicable quite universally -- that are conducive to successful economic development. These qualities are especially germane in cases where efforts to reform policy or change national economic and political strategies are underway.

Their relevance, however, is general and reflect a concern that the state act "responsibly". Often, in nation-states grappling with change, from former communist regimes to disillusioned third world socialist countries, the role of foreign assistance can be catalytic. By the beginning of the 1990s most donor country and multilateral agencies concerned with promoting economic development had begun to consider more explicitly and empirically the extent to which aid allocations to promote economic development could and should take into account and even shape the political environment of recipients.

Many citizens of democratic states support attaching "political conditionality" to aid. From the US to the Nordic states, from Australia to Japan, donors have seen a virtue in fostering values similar to their own in other states.⁴ Political considerations for foreign aid have long been manifest in more overt diplomatic uses, e.g. efforts to cement alliances and build support for, among other things, the maintenance of foreign military bases and defense arrangements. In contrast, multilateral institutions such as the World Bank are prohibited by their mandate from interfering in the internal affairs and politics of member governments to whom they provide development loans. Indeed, a basic principle of the system of nation states is respect for the sovereignty of states. From this are derived rules against intervention in the domestic affairs of recognized legitimate states.⁵ Nevertheless, increasingly the bilateral and multilateral agencies that provide aid to less developed countries -- often countries with large impoverished populations -- are now considering how features of governmental performance assist or vitiate project and program assistance. They care because they recognize the value in taking into account the importance of such characteristics in calculations about what allocations of foreign assistance will have positive results.

³ Charles E. Lindblom, *Politics and Markets* (New York: Basic Books, 1977).

⁴ Larry Diamond, "Promoting Democracy," *Foreign Policy*, No. 87 (Summer 1992), pp. 25-46.

⁵ Stephen Krasner, "Sovereignty: An Institutional Perspective," *Comparative Political Studies*, Vol. 21, No. 1 (April 1988), pp. 66-94.

Four general qualities of government

Four general qualities of government promote economic development. These are: (1) openness, (2) institutionalized, legitimate rule of law, (3) respect for human dignity and (4) civic-mindedness. These four capture, I believe, a number of attributes that have been proposed as important as conditions for economic growth.

These qualities are often associated with "democratic" government. Analysts concerned with "development," however, appropriately focus more on the quality of governance than the character of the regime. In part, this is because of the mixed consequences of increased participation on stability and productivity.⁶ Multi-party politics and political pluralism may encourage interest groups based on narrow economic advantage. Without checks upon them, these can harm development. Competitive qualities, therefore, should not explicitly be included in governance attributes designed to be directly supportive of development. They may be dangerous to development, at least in certain contexts even if increased political competition enhances indirectly economic competitiveness and efficiency and reinforces norms of responsible governance that are directly helpful to a market-growth economy. Rational choice political economists and critics of the impact of special interests on American politics have long identified the danger of factions. Empowering special economic or sub-national interests may well occur when a political formula is adopted that encourages the use of power to perpetuate special economic advantages. This often leads to unproductive stalemates.⁷

Openness refers to transparency in public life. Thus expenditures by government, the decisions and workings of government officials, except for highly sensitive judicial and military areas, are open to public scrutiny. In addition openness suggests that freedom of press and expression along with the right to assemble and discuss either the elements of religion or political belief must be tolerated. Tolerance for dissent, for debate, and for non-violent expression of opposition is an important value enabling institutions to foster creativity, self-generative reform, and corrective feedback from mistaken policies and outdated ideas. "Speaking truth to power" is essential if a state is to perform its classically mandated functions in society such as promoting the common welfare, defending the borders of the country and correcting market failures. Moreover, openness can be a self-sustaining trait in the sense that it provides an avenue for frustration to be ventilated and dissipated. Hence, it promotes legitimacy and the encouragement of voice rather than the more economically costly alternatives for a population, namely loyal foot-dragging, exit or revolution⁸. Its dangers occur principally in deeply

⁶ Samuel Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968).

⁷ This danger has been noted by James Madison in his familiar *Federalist Paper No. 10* (1787). In more recent times the danger of the minority powerfully distorting economic growth (and for Africa, the most cited work) is argued by Robert Bates, *Markets and States in Tropical Africa* (Berkeley: University of California Press, 1981); Mancur Olson, *The Rise and Decline of Nations* (New Haven: Yale University Press, 1982); and Theodore Lowi, *Interest Group Liberalism* (Norton: 1967). The rational choice perspective and limit are discussed in Grindle (1989).

⁸ James Scott's work *Weapons of the Weak* (New Haven: Yale University Press, 1986) that suggests how peasants may be unable to exit physically, as refugees from Eastern Europe frequently have, as have the educated who leap from Africa and other parts of the third world. Peasants, nevertheless, "exit" psychologically and economically, he argues, by foot-dragging and

divided societies -- ones perhaps inevitably headed for separation as in the case of post-1947 India, now broken into India, Pakistan and Bangladesh.⁹ Interestingly enough, the quality of openness has also been recognized as important in superior performance among economic institutions, e.g. corporations. Thus studies at business schools have suggested that organizations that were more open and had less hierarchical structures were more adaptive and able to innovate and succeed in response to the rapidly changing and highly technical environment of today's world.¹⁰

A rule of law, the second governance quality, is universally mentioned as a condition for economic development. Laws are needed to guarantee contractual rights among parties, and to ensure predictability and the protection of the individual against larger, potentially predatory, institutions including the state. Often, however, rule of law is narrowly associated with the establishment and systematic operation of a court system. Totalitarian societies, of course, can achieve a perverted version of this governance quality. Edicts of a tyrant, even in states too weak to achieve totalitarian control, have been set forth as being lawful.

Clearly rule of law must mean something more than the mere presence of officials following some due process in arriving at decisions which are then authoritatively executed. Two qualities are crucial for the rule of law to achieve its positive benefits for economic development. First, it must be institutionalized. That is, people must believe that the laws are to be respected and that the promulgation of law, that is its "rule," arises from and is subject to scrutiny and criticism. Openness helps guarantee this, coupled with an inculcation of respect for the law. An institutionalized rule of law is one that reaches down to various economic stratas of society and encompasses various ethnic and racial groups that may exist within a pluralistic state. An institutionalized rule of law is one that is consistent in its application and anchored in the common and deeply shared expectations of both those who are specialized in law enforcement -- police, courts and administrators -- as well as the population over whom the rule of law is applied.

Second, the rule of law must be legitimate. Often institutionalized and legitimate rules of law reinforce each other. Nevertheless, legitimate rule of law refers to its non-exploitive and non-coercive character with respect to the opinions and culture over which it is exercised. In colonial states, for example, the rule of law imposed by the British, French and others was effective and sufficiently institutionalized to guarantee reasonably high probabilities of enforcement, at least among those sectors of the society over which day-to-day control was exercised -- generally the "modern" sector -- but was surely not accepted as legitimate by most of the population. Indeed just as "taxation without representation" was an instance of a rule of law that was not perceived as legitimate, so also, throughout many developing countries, rules enforced by the formal, often inherited process of justice do not create an atmosphere of voluntary compliance. Hence they do not nurture confidence and predictability among a populace, fundamental factors to the encouragement of economic risk-taking, the nurturance of economic institutions and enhanced productivity.

noncompliance that undermines objectives of the state and protects themselves from economically exploitative regulation.

⁹ See Albert Hirshman's classic work on Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations and States (Cambridge: Harvard University Press, 1971).

¹⁰ Philip Slater and Warren G. Bennis, "Democracy is Inevitable," in Harvard Business Review, Vol. 68, No. 5 (September-October 1990), pp. 167-176.

On the one hand, therefore, an institutionalized but illegitimate rule of law might characterize strongly authoritarian states in which capriciousness by rulers and exploitation would stifle economic productivity. On the other hand, the extreme of a legitimate but uninstitutionalized rule of law would create conditions of "the wild west." In the latter case each individual would take care of her needs of security and enforce upon others her own understanding of justice, often justice meted out swiftly. Such conditions tend to degenerate so that law is neither institutionalized nor legitimate (except for the individual enforcers' preferences). The existence of a state structure over such a situation camouflages subterfuge under which particular individuals can use their putative positions and uniforms to extract resources in the form of rents from other citizens.

Indeed, the rent-seeking state has a deformed form of justice and its rule of law becomes more a pretext for extortion. Interestingly enough, this mafia-like quality of government, found in the petty but systematic corruption of states such as Zaire, Mexico, and even the Soviet Union, indicates that both weak and strong states are prone to systems of justice in which the rule of law fails to achieve an institutionalized and legitimate role in meting out fair and predictable outcomes for society. Under such conditions officials are seldom held accountable for their actions and graft, corruption and rent-seeking are encouraged.

Respect for human dignity is not mutually exclusive from the first two qualities mentioned. If anything, it is an extension. Where government fosters respect of each citizen, toleration increases and the assuredness with which one may obtain or practice openness is increased. Furthermore, rule of law is likely to demand certain "due processes" in which each individual's human dignity is respected. In societies where one ethnic group sees another without such human dignity, even sometimes as "less than human" or, more typically, where racial lines lead to invidious stereotyping, prospects for violence increase and respect for rule of law and toleration of dissent are threatened. Opposition is often seen as threatening because mutually exclusive identity structures fail to incorporate other portions of the society as being equally deserving and equally dignified. In a society where peasants, for example, are regarded as backward or mindless, it is unlikely that the agricultural economy will flourish. Allocations in these conditions often favor less productive rural landowners or industrial sectors.¹¹

A view that human dignity is respected among the populace of the state, or indeed the entire world, expands the protections of individuals, one against the other, and at the same time enhances their empowerment to pursue wealth and other values as a right. Governance can foster this through its basic constitutional orientation and by implementing policies in a fashion that indicate implicitly as well as explicitly such a recognition. Invidious distinctions between races or members and non-members of the ruling party are examples of governance which has failed to nurture the capabilities and productive energies of its populace. Racial and ethnic intolerance frequently vitiates economic entrepreneurship and coping strategies. In the more mundane cases, economic resources become allocated on a basis of regional or tribal preferences, where exploitation by a "new ruling class," whether under apartheid or Marxism, acts as a drag on the spirit and respect of a citizenry.

¹¹ Alain de Janvry, The Agrarian Question and Reformism in Latin America (Baltimore: Johns Hopkins University Press, 1981); and Just Faaland and Jack Parkinson, "The Nature of the State and the Role of Government in Agricultural Development," in C. Peter Timmer, ed., Agriculture and the State: Growth, Employment and Poverty in Developing Countries (Ithaca: Cornell University Press, 1991).

At the extreme, such intolerance leads to ethnic violence and the fragmentation of the state.

The failure to nurture tolerance, mutual identity, and respect of others, both in public policies and through educational institutions, can bear fruit decades later as racial and ethnic conflicts destroy public resources and erode the framework within which markets can operate. The deterioration of conditions in Sudan, Ethiopia and Somalia are examples of this. The conflict in Mynnar (Burma) between the Burmese and Hill People similarly are part of an erosion that is closely associated with economic deterioration. Ethnic unrest in Sri Lanka, the states of the former Soviet Union and Eastern European countries, including Yugoslavia, suggest similar threats to economic progress as energies are vitiated on misplaced on unproductive targets of frustration. Of course, exploitation is real. Witness South Africa.

A government that nurtures respect for its fellow citizens and a common identity among them, and that demands each person be accorded human dignity, is not created artificially or in a short period. It is, nevertheless, a role the state needs to undertake as its very constitutive element and to carry out in a way that is effective, i.e. encourages the learning and inculcation of this value. Its achievement requires that people be treated equally before systems of justice, that they be given equal access to services of the state, whether the post office, health clinic or educational facility, that they be referred to not artificially, in terms created by the state, e.g. as "comrade," but rather as they invite others to refer to themselves and that they be free to form voluntary affiliations in civic society.¹²

Finally civic-mindedness, the fourth governance criteria proposed, is a demand upon the self to obey the state, and to voluntarily participate in civic activities. A classic study thirty years ago found that the "civic" attitudes among citizens was a strong indicator of loyalty to the state and of the institutionalization of demands for tolerance and fair play among other members of the population.¹³ Civic-mindedness may be fostered by democratic formulae, which exalt participation and competition. Among a people long exposed to authoritarian structures in educational and workplace situations, a sense of participation and obligation to speak out or provide correction to failures of rule of law is unlikely to occur. Building pride in a national self-referent expands the capacity of the state to operate effectively. Doing so without checks on the state's policies, however, as often occurs in the heady days following a revolution or the successful end of colonial rule, may lead to distortive and excessive interventions by the state. In such times states operate as if they were hospitals -- designed to provide intensive care to their patients -- and not as institutions nurturing collective pride and voluntary self-reliant civic associations.

Foreign investment may also be eschewed uncritically when national self-confidence is low. The dangers of excessive government fostered by nationalism and national pride are clear. Nevertheless, civic-mindedness is necessary, indeed critical, for a state to expand its capacity to tax effectively and to redistribute capital through investments in public works and other collective goods such as research,

¹² Robert Putnam (in chapter eight of this volume), for example, offers persuasive evidence that people who come together voluntarily to pursue mutual interests, as in Italians joining choral societies, provide a basis for expectations among the populace of an Italian state that is an impressively accurate predictor of good governmental performance, often decades later, even more a force apparently than economic performance in promoting effective governance.

¹³ Gabriel Almond and Sidney Verba, *The Civic Culture* (Princeton: Princeton University Press, 1963).

education, health systems and the apparatus to insure reliable domestic law and adequate external defense. Such state contributions are much more easily sustained when people respect the state and take pride in it. Civic-mindedness can be helped by external donors, but only as long as foreign aid is not seen as illegitimate or contaminating.

Among the World Bank's basic data on countries, Switzerland ranks highest in gross national product per capita.¹⁴ With two national languages, and a third language widely used in southern cantons (Italian), one could imagine rampant civil strife among language and regional groupings in this small country. The fact that women received the right to vote only in 1973 might further suggest a lack of participation and failure to extend the definition of citizen to the entire population. An examination of the distortions created by the intervention of the state in agriculture, perhaps the most highly subsidized agricultural system in the world, might further lead an observer to expect this country to fail to meet some of the criteria for positive elements of governance promoting economic development.

Clearly this is not the case. Voting participation in Switzerland is low often because consensus is high. Habits of participation among women, while recent in formal terms, show progressive trends. Voting is by and large highest among the younger generation who have acquired a heightened sense of civic identity and internalize more a demand upon themselves to participate in elections. Furthermore, the Swiss have had a sense of common national pride for a long and emotionally deep period. Such pride has overridden other potentially divisive elements of the society. Aside from business and banking affairs, the work of the government has been manifestly transparent, as have the public elements of social and economic life. Rule of law has been an exemplary feature of the society. It has been a symbol of fairness and respect for all. Indeed it serves as a nurturing ground for meeting the needs of the world's state system. The headquarters of the League of Nations was located here and currently its buildings, the Palace of Nations, houses much of the United Nations. With Switzerland's long service to international causes, including the League of Red Cross Societies, the notion of respect for human dignity is an honored tradition. Finally, civic-mindedness, that is pride in the physical appearance of one's country and in the responsibility of each citizen to look after the laws and to maintain their private and public places, is well established. Swiss civic-mindedness reflects the pride of the individual in the state and the dedication to its success as a corporate body, while at the same time demanding a strong role for the private sector and for regulation rather than exploitation of markets.

Agriculture, development and governance¹⁵

Thanks to the large role played by agriculture in developing countries, how governance affects agriculture is crucial to economic development. Especially in states with GNP per capita below \$600, the agricultural sector is usually the largest source of employment and food the largest household expenditure. It is appropriate, therefore, to give special attention to ways in which governance affects the

¹⁴ World Bank, World Development Report, 1992: Development and the Environment (Washington, D.C.: World Bank, 1992).

¹⁵ I want to acknowledge the influence and help of Peter Timmer, Walter Falcon, and others who attended the Marbach Conference on "The Role of Agriculture in Economic Development," September 1989, in Oeningen, Germany.

performance of national food and agricultural systems.

State policy intervention in agriculture has a long tradition. Economic historian Peter Lindert presents evidence to show a changing role for agricultural policies in the course of economic growth.¹⁶ In early modern European and contemporary developing countries, most often agriculture experienced net taxation; in modern industrial states, in contrast, governments generally subsidize agriculture. This pattern does not arise, Lindert finds, from economic rationality (usually) but from political and economic forces ascendent at a particular time in a nation's history.

A traditional political economy analysis, in fact, readily explains this evolution of agricultural policy from exploitation to subsidization. The dynamics are more complex, however. Thus, theories of pure rational choice are inadequate, at least as elaborated by some economists, i.e. the view that policy outcomes are essentially the result of success by a self-interested pursuit by the strongest, most organized social groups.¹⁷ Over time, for example, we can see how the purposes that powerful forces sought from state action have often been divergent from consequences.¹⁸ Often there are perverse and unintended consequences of state action for agriculture. In addition, causality is interactive. Hence, the very evolution of the state itself is closely linked to the development of agriculture and the effects that agricultural policies have upon it. Hence, there is a dynamic. Governance and agricultural performance in a society act over historical periods as endogenous but independent variables in a country's history, operating in a non-recursive fashion -- a point implicit in most analyses of economic historians and social scientists.¹⁹

Anthropologists, furthermore, have closely linked the expansion of governing institutions -- from those of minimalist governments to complex, modern state systems -- with changes in agricultural production. The need to regulate market activity and resolve land disputes for settled agriculturalists, for instance, is postulated as the basis for the rise of African feudal-type systems.²⁰ Likewise, the centralization of state power and national policies in the modern era is linked to changes in agriculture.²¹ Indeed, state financing for agricultural modernization and

¹⁶ Peter Lindert, "Economic Influences on the History of Agricultural Policy," in C. Peter Timmer, ed., Agriculture and the State: Growth, Employment and Poverty in Developing Countries (Ithaca: Cornell University Press, 1991).

¹⁷ E.g. Mancur Olson, The Rise and Decline of Nations -- Economic Growth, Stagflation and Social Rigidities (New Haven: Yale University Press, 1982).

¹⁸ Charles Tilly, ed., The Formation of National States in Western Europe (Princeton: Princeton University Press, 1975); Andrew Coulson, Tanzania: A Political Economy (Oxford: Oxford University Press, 1982).

¹⁹ Barrington Moore, Jr., Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World (Boston: Beacon Press, 1967); Alexander Gerschenkron, Economic Backwardness in Historical Perspective: A Book of Essays (Cambridge: Belknap Press of Harvard University Press, 1962).

²⁰ See M. Fortes and E. E. Evans-Pritchard, eds., African Political Systems (London: Oxford University Press, 1940); and Lucy Mair, Primitive Government (Baltimore: Penguin, 1962), pp. 29-31.

²¹ See Geoffrey Barraclough, The Crucible of Europe (Berkeley: University of California Press, 1976); and William Cochran, The Development of American Agriculture: A Historical Analysis (Minneapolis: University of Minnesota Press, 1979).

the expansion of markets, some argue, played the critical role in the modernization of Europe and the expansion of the European state System.²²

Agricultural transformation, not surprisingly, is also seen as essential for successful economic development in late-developing countries, such as Turkey, and very late developers, such as SubSaharan African countries.²³ Thus agricultural transformation may be regarded as central to economic development. In addition it plays a critical role in enhancing or undermining state authority.²⁴ Given this centrality, a key question arises. How can differences in governance shape state intervention in agriculture in ways that enhance economic development?

Purposes and consequences of agricultural policies

In different historical and agronomic situations, states formulate different agricultural policies. They differ because they seek different goals and choose varying instruments of policy. It is difficult, of course, to be certain about the real purposes of states, as opposed to the merely stated ones. Furthermore, while formal, stated policies are generally accessible to historic or economic interpretation drawing upon explicit legal actions and recorded state expenditures, the actual implementation of policies and the utilization of state funds may vary considerably from those formally stated. This is particularly true in societies in which state capacity is weak, that is a "soft" state exists, to use Myrdal's term.²⁵ Throughout contemporary SubSaharan Africa, for instance, where countries have a dismal record in agricultural performance in the 1970s and 1980s, policies for regulating markets, subsidizing agricultural inputs, fixing prices, and even creating nutritional safety nets expose a wide gap between official policy and actual performance. What allows this to happen over an extended period? First, the absence of openness and legitimate rule of law in many states has prevented protests and corrective feed-back to expose this disjunction between stated goals and actual consequences for producers. Second, failures in agriculture can undermine the civic-mindedness of farmers marginalized or exploited by policies that backfire.

The effectiveness of policy instruments may thus be highly limited in periods of nascent state formation. Although rural populations often lack organization and appear vulnerable to the interests of the powerful, they nonetheless may pose a

²² Immanuel Wallerstein, The Modern World System: Capitalist Agriculture and the Origins of the European World Economy in the Sixteenth Century (New York: Academic Press, 1974); Tilly, 1975; and Michael Tracy, Agriculture in Western Europe: Crisis and Adaptation since 1880 (London: Jonathan Cape, 1982, 2nd edition).

²³ See A. Adnan Akay, From Landlordism to Capitalism in Turkish Agriculture, Working Paper #12 (Milton Keynes, U.K.: The Open University, 1988); John W. Mellor, Christopher L. Delgado and Malcolm J. Blackie, eds., Accelerating Food Production in sub-Saharan Africa (Baltimore: Johns Hopkins University Press, 1987).

²⁴ Bruce Johnston and Peter Kilby, Agriculture and Structural Transformation (New York: Oxford University Press, 1975); Raymond F. Hopkins, "Food Security, Policy Options and the Evolution of State Responsibility," in F. Lamond Tullis and W. Ladd Hollis, eds., Food, the State, and International Political Economy (Lincoln: University of Nebraska Press, 1986), pp. 3-36, and "Political Calculations in Food Subsidies," in Per Pinstrup Andersen, ed., Food Subsidies in Developing Countries (Baltimore: Johns Hopkins University Press, 1988), pp. 107-126.

²⁵ Gunnar Myrdal, Asian Drama: An Inquiry into the Poverty of Nations (New York: Pantheon Books, 1968).

formidable obstacle to state manipulation. This seems equally true in Africa in the late twentieth century or in Europe in the eighteenth and nineteenth centuries.²⁶ The disjunction between "good" intentions of policy and perverse consequences can be attenuated when the rural sector has the benefit of an open society, when they are accorded respect and when law guarantees them equal rights, then policies that hurt the rural sector and small producers and represent opportunities for official rent-seeking will be less sustainable.

The historically dynamic process of the role of the state in agriculture moves from purposes to policy choices to implementation and, finally, to consequences. This dynamic is pervasive in the history of relations between the state and producers, merchants, and consumers. On the one hand, cases exist in which the state has used its resources to promote efficient agriculture, for example, through provision of collective goods, with results that are positive for both economic and non-economic values.²⁷ Several Asian states are such cases. On the other hand, states with weak structures and the absence of responsible governance can exploit agriculture, thus undermining growth opportunities and alienating segments of society.²⁸

A focus on consequences, therefore, rather than policy stipulations is important both for development and especially for the agricultural sector. An institutionalized, legitimate rule of law is conducive to this consequential approach to agricultural development.²⁹ However, the emergence of higher economic productivity in some states, thanks to industrialization, has led to the diffusion of demands for a broader, welfare role for states, a role that exceeds ability.

Human dignity as a quality of governance has a connection also. Such value requirements limit rights to regulate markets solely in the interest of efficiency and social profitability (if they ever could); they also must redistribute social values to insure some degree of equity or justice.³⁰ In the last several centuries, responsibility for administering to the needs of weak and vulnerable people has shifted from the

²⁶ See Faaland and Parkinson, in Timmer, 1991; James C. Scott, *Weapons of the Weak* (New Haven: Yale University Press, 1985); Goren Hyden, *Ujamaa* (Berkeley: University of California Press, 1980); and Harvey Glickman, ed., *The Crisis and Challenge of African Development* (New York: Greenwood Press, 1988).

²⁷ For purposes here, the outcomes of state agricultural transactions are referred to both in terms of benefits that are directly economic -- in the sense that they yield monetized effects whose net benefits and costs can theoretically be assessed using standard economic accounting methodologies -- and in terms of non-economic benefits, which include important aspects of human behavior, such as loyalty to the government, voluntary compliance with policy, national self-esteem and rectitude, and other values. These are not monetized directly. Even shadow prices for such values would be hard to calculate since their manifestations in society often occur in step-level events. Changes in such values, however, are conceptually discrete movements. For example, government legitimacy can vary by degrees, but changes in government legitimacy outside revolutionary situations are not readily measurable.

²⁸ Alberto Valdes, "Export-led Growth: What Role for Agriculture?" in C. Peter Timmer, ed., *Agriculture and the State: Growth, Employment and Poverty in Developing Countries* (Ithaca: Cornell University Press, 1991), pp. 1-28.

²⁹ Bruce F. Johnston and Peter Kilby, *Agricultural and Structural Transformation: Economic Strategies in Late Developing Countries* (New York: Oxford University Press, 1975), p. 474.

³⁰ See Arthur Okun, *Equality and Efficiency: The Big Trade Off* (Washington: The Brookings Institution, 1975).

private to the public sector. Thus, the welfare state, with its plethora of programs that provide citizens minimum guarantees of goods and services, has emerged as a manifest result of this shift. Further it is a concrete expression of material justice that respects individual human dignity (a "liberal" value to be sure). Thus in the modern, "well-governed" state, economic development naturally provides citizens with minimum guarantees of goods and services. As there is an expansion of the capacity of the state to do this, a result of natural shift in the size and capacity of the economy, it can do this better. It is not necessarily, therefore, a change in the desiderata of responsible governance.

Food price policy in developing countries has been particularly affected by this shift. To guarantee access to basic foodstuffs and augment the household income of those extremely poor, many states have adopted such measures as fixed prices or subsidy policies. Ethical considerations, arising from the very fabric of society itself, lead to this redistribution on behalf of the poor.³¹ Most recently, governmental concern for dignity of all, including the poor, has manifested itself (even in very poor states) in such initiatives as the UNICEF proposal for "adjustment with a human face" and the World Bank's effort to achieve "food security" in Africa. Such policies are not without economic costs, however; the frequent trade-offs between equity and efficiency, between short- and long-term consequences, and between economic and non-economic values, become especially poignant in cases where government capacity is already constrained by slow rates of economic development.

Political economy considerations in the evolution of agricultural policy

Economists frequently criticize government policy that distorts markets. They argue that such interventions lead to non-Pareto optimal outcomes, reduce efficiency, slow the expansion of the production frontier, promote disincentives, and protect the unduly privileged. Such criticisms arise not only from neoclassical assumptions from which most economists approach social analysis but also from a genuine concern to seek better social welfare outcomes from government intervention. Market failures, exploitative government behavior, and policies encouraging stagnation rather than economic growth seem pathological from this perspective. To account for such policy failures, economists frequently blame "politics."

Recently, analyses of "political economy" have sought to interpret the development and change of policy in various historical contexts.³² At least three alternative "ideal types" exist in political economy writings. Let me outline these to suggest how different roles for the state can affect the pattern of governance and economic development especially in the agriculture sector.

State as Arena. In the first ideal type, political economy sees the state as an arena for competing interest groups. Call this Model I. It is the most prevalent analytical model for describing causes of government action. Powerful interests, often urban based, as in a white collar salariat class, or grounded in powerful

³¹ Robert Chambers, *Rural Development: Putting the Last First* (London: Longman, 1983); Jean Dreze, and Amartya Sen, *Hunger and Public Action* (New York: Oxford University Press, 1989).

³² E.g. Martin Staniland, *What is Political Economy?* (New Haven: Yale University Press, 1985); and Robert Bates, *Beyond the Miracle of the Market* (New York: Cambridge University Press, 1989).

landowners have partial or complete control over the instruments of the state and use them to advance their own interests.³³ For these powerful groups, the only trade-off is between short- and long-term gain; they otherwise promote their group's rational choice strategies for state action, which will only coincidentally promote the interests of the society as a whole.

State as Actor. A second vision of the state used by political economists is a model of the state as an actor in its own right. The clan of tribal societies, the royal families of the feudal ages, and the modern bureaucratic state with its cadres of officials are examples of the personal state. Here the rational calculator of costs and benefits is based on maximizing state power and the income of its officials. Such calculations are, of course, constrained by the pliability of the state's subjects and the technology the state can use to enforce its will. The basic calculus, however, derives from the interests of those running the state itself, whether royalty, a privileged class, or an entrenched bureaucracy.

Examples of the state as self-interested actor range from the reign of France's Louis XIV with his diffidence towards those outside his state ("l'Etat c'est moi") to the kleptocracy of Zaire. Activities of rent-seeking states have been caustically described by citizenries of countries ranging across the ideological spectrum. The Soviet Union, under *Glasnost*, has printed numerous complaints about management both in agriculture and in officialdom generally. Such popular complaints about state-controlled exploitation are widely reported in the literature on dependency in Latin America and Africa; attitudes with the same valence are voiced more gently in criticisms of the "heavy hand" of government expressed by the American farm population.³⁴

State as Developer. In the third "ideal" model of a state's role in society described by political economists, the state is focused on building social capacity. Weak states seen through this model seek power but not as an end in itself, as in the case of Model II. Rather, here the state attempts to build support and discover policies that will best serve purposes required for survival of national sovereignty.³⁵ According to this ideal-type model, the key distinction among states and their policies arises from the state's capacity -- as ranked on a continuum from a weak (or soft) state to a strong (or hard) one. For the state to be an agent of development (and other human goals) it cannot be ephemeral and elusive; it must be tough and effective. The writ of state authority itself is the issue in question.³⁶ Often a weak state's capacity extends no further than the capital city or the personal friendships of top leaders. To act as a "builder," a state's "strength," therefore, determines the degree to which it can be effective. Excessive intervention, exceeding capacity, undermines economic strength and eventually political control. Figure 1 summarizes these three ideal type models of the role of the state in policy making.

³³ For a discussion of urban bias, see Michael Lipton, Why the Poor Stay Poor: A Study of Urban Bias in World Development (London: Temple Smith, 1977).

³⁴ Williard W. Cochran, The Development of American Agriculture: A Historical Analysis (Minneapolis: University of Minnesota Press, 1979).

³⁵ Stephen Krasner, "Sovereignty: An Institutional Perspective," Comparative Political Studies (April 1988), pp. 66-94.

³⁶ See Samuel P. Huntington, Political Order in Changing Societies (New Haven: Yale University Press, 1968).

FIGURE I: Three "Ideal Types" of State/Society Relations

MODEL I: STATE AS ARENA

Groups form outside government, based on rational interest calculations, and seek to influence policy.

Variant A:

Competitive, pluralist system: multiple groups, changing alliances, and failures of public interest. Failures arise from divisible benefits that provide incentives to some groups (e.g. farm organizations) to pressure for policy preference, while more diffuse, larger groups (consumers) are less active due to the problems that collective benefits offer no selective incentives to mobilize.

Variant B:

Non-competitive, class-dominated situation in which a group, largely external to state officials (e.g., bourgeoisie, salariat, ethnic groups, etc.), dictate policies that systematically disadvantage one or several other groups. Little or no advantage accrues to public officials.

MODEL II: STATE AS ACTOR

State officials act to maximize their values (wealth, power, safety, affection, etc.).

If the state has a high discount value, its leadership usually self-destructs. Its features are rent-seeking, bureaucratic self-protection, and extortion by individuals. The state is seen by itself and others as competing with society to maintain the privileges of the state office holders. If the state has a low discount rate, leaders may move toward a broader incorporation of popular interests with state interest -- a possible transformation, especially in "weak" states, toward a Model III type.

MODEL III: STATE AS DEVELOPER

The goal of strengthening nation-state desiderata of security, growth, and welfare are maximized.

Weak states, typical among LDCs, give high priority to inculcating habits of compliance and improving the probability of enforcement. Security, particularly domestic, is a central issue. As the state as agent becomes stronger, its capacity and interest in serving national goals moves it to allocate more resources or allow more risk in policies aimed at economic growth and, eventually, welfare. Weak states that prematurely give high priority to economic growth and welfare frequently fail.

In examining the extent any given state's governance reflects each of these three "ideal" types, a distinction between formal, "de jure" but ineffective states and stronger "de facto" states is particularly apt. A number of writers have alluded to the inability of states, especially in Africa, to adopt policies that genuinely regulate the economy -- that demonstrate capacity beyond control over imports and exports. Even in the trade control realm, smuggling can be a major element allowing agriculture to escape state regulation.³⁷ It is important to recognize that even in countries where states represent powerful forces of society, such as the United States, or of a powerful organization in society, such as the Communist Party in the former Soviet Union, state policy is not solely in control. Other factors, particularly implementation problems and reactions of individual producers or consumers, frequently lead to policy outcomes quite different from the consequences expected or predicted by sophisticated analysis. In these conditions, actions by the state to intervene in agriculture, whether to support producers or consumers, or to stimulate and to redistribute wealth, may also represent a series of trials and errors in policy formation.

State intervention in agriculture and opportunities to enhance governance

The history of agricultural policy in various countries allows us to analyze how the ideal type distinctions above help us account for the evolution of policies, either across cases or over particular time periods in a country. Further, we can examine the purposes served by state intervention and how different ideal approximations and locations on capacity, hierarchy and openness may affect agriculture policy. States as actors for themselves (Model II), for example, are aggrandizing in character but frequently have short-term successes and long-term failures. Perhaps the Philippines under Marcos fits this pattern. A state acting as an arena for competing groups (Ideal Model I) may become captured by narrow interests, whether of powerful landlords or military officers, as in Argentina, which may lead to important policy distortions and to lost opportunities for the economy as well as disaffection of the population.³⁸ Where organized agriculture and a political elite overlap, as in Kenya and the Ivory Coast, policies favorable to agriculture (if not rural society in general) are also possible. The third vision, the state as would-be entrepreneur, may best account for states that intervene in society primarily to bring order and some semblance of control over agriculture; unfortunately this purpose in weak states may be highly transient and hard to implement; Tanzania is such a case. Since the state is not deeply institutionalized -- its leadership and/or circumstances change fairly quickly -- such a state might also be opportunistic.

Consider further that the state's search for optimizing behavior takes place under high uncertainty. Ironically, because weak states are not anchored in tradition or legal formalities, they may be more erratic in the policies they follow, but they are also more influenced by policy advice given by economists. Policies of developing countries, especially those in Africa, frequently fit this model. The advice of agricultural policy analysts to advance development might be most critical in weak states; it has the greatest opportunities to restructure agriculture, particularly after a

³⁷ See Hyden, 1980; Michael Bratton, "Beyond the State," *World Politics*, vol. 41, no. 3 (April 1989), pp. 407-430.

³⁸ Samuel P. Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968).

revolution or foreign conquest -- for example, consider the effects of land reforms in Japan, Taiwan, or China.

Six purposes specific to agriculture seem to explain historical evolution in agricultural policy and relate to openings during which shifts toward enhanced governance can occur. Government intervention has nearly always involved some mixture of these purposes (outlined as broad goals). The six purposes of the state in asserting governance in agriculture are outlined below. Consequences of policy to achieve such purposes have also shaped the future capacity of the state for undertaking policies more broadly (i.e. in all sectors of the society). Short-sighted, unsuccessful interventions can harm both the state and agriculture. The success of the economic transformation of agriculture and the development of national loyalties and institutionalization of desirable features of governance, e.g. ones conducive to economic development, are all deeply interrelated as multiple consequences of evolving policy, in this instance in the agricultural sector.

(1) Extract Resources from Agriculture. The first purpose, classic for self-serving or rent-seeking states (Model II), is to extract resources from the agricultural sector for the purpose of state maintenance, including guaranteeing a high standard of living among official or royal classes. Since such extraction from the production or exchange of agricultural products serves only the purpose of redistributing wealth to office holders and central state authorities, it represents the purest case of exploitation. Such action is the functional equivalent of mafioso-style extortion in the private sector. The government's treatment of French peasants prior to the 1789 revolution is a classic instance of such a purpose dominating state policy. Zaire in the 1970s is another instance.³⁹ In Model III, extracting resources from agriculture may be linked by expenditure policies to more altruistic intentions and even consequences.

(2) Expansion of the State. The state intervenes to expand its connections throughout society. The expansion of the state, for good or ill, requires replacing local fiefdoms and baronies with the imprint of central authority. States thus devise policies that require low investment in personnel and seek to represent central authority as a positive force in the life of the peasantry.⁴⁰ Capitalist agriculture, for example, required centralized authority over local manor systems or tribal economies; the substitution of state regulations for such systems made possible the encouragement of capitalist practices. The state acted to assert its authority, however, rather than to base its policies on a theory of economic development. This assertion of authority itself was most often the core purpose for such action.⁴¹

(3) Protect Agriculture as a Resource. At times the state has intervened to put agriculture on a competitive basis with other economic sectors. By nature, agriculture is a risky business. Climatic forces make crop yields uncertain. Protection of land tenure rights and fair marketing arrangements for the often poor and disorganized farmers depends on laws and government. Producers who

³⁹ Scott, 1985; Thomas Callaghy, *The State-Society Struggle: Zaire in Comparative Perspective* (New York: Columbia University Press, 1984).

⁴⁰ Harold J. Laski, *The Rise of European Liberalisms* (London: Unsrin Books, 1938); Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy* (Boston: Beacon Press, 1967); Michael Bratton, "Beyond the State: Civil Society and Associational Life in Africa," *World Politics* 41, no. 3 (April 1989), pp. 407-587.

⁴¹ Charles Tilly, ed., *The Formation of National States in Western Europe* (Princeton: Princeton University Press, 1975).

provide the physical labor in agriculture, as distinguished from large landowners and managers, frequently have little power over the affairs of a state. Such numerous but disorganized elements of society lack the free time or direct rewards to organize and pay the cost of collective bargaining with the state.⁴² The state aiming at development, however, can serve to secure socially efficient collective benefits for such important productive groups, which the "free rider" problem in politics would otherwise cause to be neglected.

(4) Promote Economic Development. The state undertakes various measures to stimulate economic development, such as investment in agricultural research, encouragement of new technology, or greater guarantees of profitability to producers taking risks or investing more of their own labor. This role of the state is the classic one assumed by most economists (given the normative assumptions within which most of their work is cast). With this purpose in mind, analysts carefully try to assess the optimal benefit-cost ratios of various government investments to maximize efficiency among producers, lower marketing costs, and alleviate uneconomical fluctuations in demand and unemployment among the poor. Open, strong and participatory states are likely to evolve policies that balance market efficiency with state exchange guarantees and investments. This is a result of the information feed-back and decision flexibility of such states.

(5) Improve Welfare of the Poor. Often cited as a goal of government policy is the promotion of equity and the meeting of human needs. Subsidies targeted to the hungry poor, absorption of the adjustment costs for those moving out of agriculture, and other state-funded compensatory actions may not have positive rates of return on investment, but are justified by basic ethical considerations and, secondarily, perhaps by the goal of state survival as a national, social instrument (see the purpose of political stability below). Such interventions to assist the poor might be a drag rather than a spur to general economic development. Egypt and Sri Lanka, for example, have been cited as cases where the burden of food subsidies, equaling 10 to 20 percent of total government revenues in the 1970s, was, in terms of economic growth, a long-term negative factor. While industrialized states, such as the United States, Europe, and other OECD countries may well afford "welfare state" policies that include targeted food guarantees through programs such as food stamps, institutional feeding, and direct distribution, their costs as a portion of the government's budget are modest. Such redistribution, however, weighs heavily on states with lower incomes, less efficient economies, and with a large portion of the population employed in agriculture.⁴³ Some effort, however modest, may be important to signal a respect for human dignity and maintain respect or legitimacy for the state. Hence, the next point.

(6) Promote Political Stability. Even from a quite strict economic perspective, political stability, however difficult to estimate, is worth some economic benefit. Maintenance of political authority reflects, in part, the political ties, both personal and ideological, between state leadership and the rural sector of the economy. Thomas Jefferson regarded the agricultural ethic as the basis of American

⁴² Robert Dahl, *Modern Political Analysis* (Englewood Cliffs, NJ: Prentice-Hall, 1963), pp. 55-71; Mancur Olson, *The Logic of Collective Action* (Cambridge: Harvard University Press, 1965); Charles E. Lindblom, *Politics and Markets* (New York Basic Books, 1977).

⁴³ Per Pinstrup-Andersen, ed., *Food Subsidies in Developing Countries* (Baltimore: Johns Hopkins University Press, 1988).

democracy -- an argument that has supporters even two centuries later.⁴⁴ Analogously, agriculture as an embodiment of state virtue has flourished under Felix Houphouet-Boigny, of Cote d'Ivoire. Houphouet proclaims himself the country's "number one peasant." Emotional ties, therefore, can bind agriculture and the state in ways that sustain national character, project cultural values, and bolster political stability. These cultural forces can emotionally distort the "rational choice" template often placed upon government intervention.⁴⁵

In summary, the state intervenes in agriculture usually to accomplish one or several of these six purposes. In Model I the state as an arena for powerful "private" forces establishes public policy aimed at advancing their interests. Generally, agricultural interests "lose" priority to industrialization but "win" among advanced industrial states, as in Europe, Japan and the U.S. In Model II the state is a maximizer on behalf of itself as an actor -- that is, it maximizes the private interests of officialdom. Agricultural interests invariably lose. In Model III the state is also an actor, but one motivated by sovereignty goals and limited by missing information, uncertain popular loyalties, and ineffectual instruments. Agriculture has its best chance to have supportive policies pursued by the state during industrialization; Korea is arguably an example. The three models are not mutually exclusive; they do, however, organize distinctive analytical elements to explain the actions of a state. In any actual case, some mixture of all three models is likely. In most cases, however, one or another model will prove more illuminating and predictive of state action than others.

Strategies that support economic-promoting governance

Sections III and IV, focusing on the state in agriculture, laid out some general ways that governance factors affect societal performance and agricultural development. Let us return, in conclusion, to the qualities of the state outlined in section II, i.e. openness, rule of law, human dignity and civic-mindedness. These qualities, while not unrelated to democracy, are not simply the equivalent of democracy. In most cases these qualities will be enhanced by democratic features such as participatory institutions, decentralization, and certain democratic techniques (e.g. elections, multi-party system, and checks and balances between the different branches of government). The qualities I proposed, however, can exist at least somewhat independently of national democratic institutions. They reside most fundamentally as part of and in relation to a broader fabric of society. The three ideal-type models proposed in section III reflect this point. Short-term mechanical fixes, such as new "constitutions," or elections, are less salient for sustaining stable governance, therefore, than maintaining a culture of governance properties throughout organizations in civil society. At independence, for example, African states almost universally adopted democratic forms of government, only to see these institutions transformed into one-party states or military dictatorships within a decade. Latin American countries are famous for the number of constitutions which

⁴⁴ Donald F. Hadwiger and Ross Talbot, "The United States: A Unique Development Model," in Raymond F. Hopkins, Donald J. Puchala and Ross B. Talbot, eds., Food, Politics, and Agricultural Development (Boulder: Westview Press, 1979); Grant McConnell, The Decline of Agrarian Democracy (Berkeley: University of California Press, 1952).

⁴⁵ See Merilee Grindle and John Thomas, "Policy Makers, Policy Choices and Policy Outcomes," Policy Science, vol. 22 (1989), pp. 213-248; and David Potter, People of Plenty (Chicago: University of Chicago Press, 1954).

they have adopted over the years, few of which represented the underlying or real constitutions, that is the authoritative expectations of the population with respect to order and justice. A similar disjuncture existed in the Soviet Union and East Europe.

In examining the role of governance in economic development, therefore, it is important not to look at the formal institutions which one might recommend to a country as a part of an economic assistance package. Democracy may be good, but it is not a panacea. Furthermore, its artificial insertion may only lead to cynicism and an inoculation against the virtues that democracy can bring.

The second facet of the four qualities outlined in section II is their enabling capacity for the state. They often promise to strengthen state capabilities and vice versa. Weak states are incapable of regulating and sustaining markets. They frequently fail to resolve inequities and distortions that markets can allow. Monopolistic trading may be outlawed by the state, but state monopolies often behave as badly or worse than private monopolies (especially regulated ones) while state controls to protect parastatal monopolies encourage illegal parallel markets that bring risk premium income to the least deserving. Hence weak states that attempt strong policy intervention frequently inculcate contempt not respect for human dignity and nourish a culture of personal-mindedness not civic-mindedness. Furthermore, autocratic states exacerbate these tendencies and undermine respect for human dignity as coercive force becomes the increasingly used method of law enforcement. Thus these four underlying, basically cultural qualities are keys to good governance.

A major factor in determining what state action is likely to advance best these described qualities of governance is the size, strength and territorial extension of the government. We can see the expansion of governance institutions, from those of minimalist governing institutions to complex modern state systems -- have occurred in strong correlation with changes in the economy. The shift from an agricultural to an industrial society, from rural to urban life, have all allowed state apparatus to expand in scope. Indeed such state expansion was necessary and inevitable, I argued earlier, in order to govern the more complex, industrial and world-wide economic activities that have ensued. State financing for economic development, particularly for agricultural modernization in developing countries, and the expansion of markets which requires transportation infrastructure, rules of marketing and the enforcement of transparency or openness in exchange, played a critical role in the modernization of Europe.⁴⁶

Economic development, therefore, cannot do without the state nor the important functions that government plays. However, a state in which governance is dominated by special interests, which interferes and disrupts markets and which nurtures incivility and eventually violence among its population, leads a country towards economic ruin rather than productivity. The economic crises of Africa in the 1970s and 80s, many of which are clearly associated with the failures of governance, provide the most poignant and empirical evidence of this proposition.⁴⁷ To be effective, governments must be supported by the attitudes and cultural

⁴⁶ Charles Tilly, ed., *The Formation of National States in Western Europe* (Princeton: Princeton University Press, 1975); Michael Tracy, *Agriculture in Western Europe: Crisis and Adaptation Since 1880*, 2d ed. (London: Jonathan Cape, 1982).

⁴⁷ Richard Sandbrook, *The Politics of Africa's Economic Stagnation* (New York: Cambridge University Press, 1985); World Bank, *From Crisis to Sustainable Growth: A Long-Term Perspective Study* (Washington: World Bank, 1989).

attributes described in section II above and must, in response to them, do more than regulate markets in the interest of efficiency and social profitability. Governments must redistribute social values to assure some degree of equity and justice in the society. Such government action is crucial to the outward appearance of recognizing the human dignity of all citizens and for promoting the legitimacy and institutionalization of a rule of law.

Assessments of economic development and evaluation of aid projects frequently fail to take into account the externalities of a project or program upon such qualities of governance. Normal rates of return calculation cannot capture the kind of benefits to good governance or responsible government which attending to the principles of openness, rule of law, respect for human dignity and civic-mindedness require. Moreover, these qualities which have a less "western" aspect to them are, I submit, more likely to be adaptable to a variety of societies, including those in which formal institutions of elections, competitive political parties and narrow pluralist interests (often lobbying or pressuring government) are not accepted as part of the definition of civic virtue. Consider that authoritarian structures such as the Catholic Church have promoted in Latin America a doctrine of human dignity that demands rules of law and progressive redistribution. The king in Thailand similarly provides cultural and practical support for at least some of these qualities. Such cases and others offer a strong argument for pressing for these deeper cultural elements in governance, ones which pervade all social institutions --the family, the school, the workplace and the religious bodies. Their attainment can provide a framework within which responsible government and good governance can evolve and in which the functions of the state will be channeled to facilitate greater productivity by these qualities of good governance.